

## Message Text

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W  
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S E C R E T SECTION 1 OF 3 CAIRO 01243

EXDIS

E.O. 11652: GDS  
TAGS: PINS, EG  
SUBJECT: APPRISAL OF EGYPTIAN SITUATION AFTER CAIRO

REF: CAIRO 1184 AND PREVIOUS

SUMMARY: IN AFTERMATH THIS WEEK'S CAIRO RIOTS, SADAT HAS LOST CONSIDERABLE FACE AT HOME AND ABROAD. GOE LEADERSHIP, WHILE EXPECTING SOME ADVERSE PUBLIC REACTION TO ANNOUNCEMENT PRICE RISES, WAS TAKEN BY SURPRISE AT ITS INTENSITY AND COUNTRY-WIDE NATURE. AS RIOTS SPREAD AND POLICE PROVED UNABLE CONTROL IT, PRIMIN AND MININT PANICKED AND ASKED SADAT TO REQUEST ARMY INTERVENTION. IN AGREEING, MINWAR GAMASY HAS MADE SADAT BEHOLDEN TO HIM AND MINWAR'S VOICE IN PRESIDENTIAL COUNCIL HAS DOUBTLESS BEEN ENHANCED. SADAT MAY HAVE LOST SOME OF HIS FLEXIBILITY AT HOME AND ABROAD. CONTRARY GOE CLAIMS, RIOTS WERE SPONTANEOUS ANGRY PUBLIC REACTION TO ANNOUNCED PRICE INCREASES; LEFT, AND TO SOME EXTENT NASSERISTS, SEIZED ON PUBLIC OUTRAGE TO FAN THE FLAMES. DISSIDENTS SHOWED CONSIDERABLE KNOWLEDGE URBAN GUERRILLA TACTICS IN TERMS OF TARGETTING POLICE AND FIRE STATIONS. SADAT WILL HAVE TO RE-SSESS NATURE OF DOMESTIC THREAT. CRITICISM IS BEING LEVELLED AT GOE'S HANDLING OF SITUATION, SPECIFICALLY PRICE INCREASE ANNOUNCEMENT

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AND POLICE COMMITMENT. PRIMIN AND ECONOMIC GROUP, HEADED BY KAISOUNI, BEING BLAMED FOR FIRST; MININTERIOR SAYED FAHMY FOR SECOND. SOME SCRAPEGOATS WILL HAVE TO BE FOUND, PROBABLY KAISOUNI AND HIS ECONOMIC GROUP PROTEGES AND PERHAPS MININTERIOR SAYED FAHMY. SALIM, ALTHOUGH WIDELY BLAMED, WILL PROBABLY SURVIVE, SINCE SADAT NEEDS HIM. ALTHOUGH LOSS OF IFE AND DAMAGE TO

PROPERTY LESS THAN DURING JANUARY 1952 BURNING OF CAIRO, IT HAS BEEN ENOUGH TO FRIGETHE EGYPTIANS. DOUBTFUL THAT GOE CAN NOW PROCEED WITH IMF ECONOMIC REFORM RECOMMENDATIONS ALTHOUGH SOME COSMETIC EFFORTS AIMED AT THE RICH ARE POSSIBLE. SADAT, WHILE BACK IN CAIRO, CONTINUES BE PUZZLINGLY SILENT. EGYPTIAN PUBLIC HAS REACTED BY ONCE AGAIN BLAMING WEALTHY ARAB STATES FOR PALTRINESS. GOE MAY BE EXPECTED USE RIOTS IN ITS EFFORT DUN WEALTHY ARAB AND WESTERN STATES (INCLUDING US) FOR ADDITIONAL MONIES. END SUMMARY.

1. AS REPORTED REFTTEL, SITUATION IN CAIRO (AND REST OF EGYPT) IS CALM TODAY. HIGHER COMMODITY PRICES, WHICH FIRST TRIGGERED RIOTS, HAVE BEEN SUSPENDED; POLICE HAVE ARRESTED LARGE NUMBERS OF ALLEGED INSTIGATORS; CURFEW; AND DEPLOYMENT OF ARMY TO KEY LOCATIONS HAVE ALL COMBINED TO HALT PRIOTING. THERE IS CONCERN THAT POSSIBLE RE-IMPOSITION OF PRICE INCREASES WILL SPARK FRESH OUTBREAK OF RIOTS. IN ANY EVENT, PAST WEEK HAS BEEN TRAUMATIC EXPERIENCE FOR EGYPTIAN LEADERSHIP. FOLLOWING PARAGRAPHS OFFER MY PRELIMINARY APPRAISAL OF RESULTS OF RIOTS.

2. SADAT'S TARNISHED IMAGE: ALTHOUGH CALM ONCE AGAIN PREVAILS, SADAT HAS LOST CONSIDERABLE FACE AT HOME AND ABROAD. IMAGE OF POLITICAL STABILITY AND STRONG PUBLIC SUPPORT WHICH SADAT HAS ASSIDUOUSLY SOUGHT TO PROJECT HAS BEEN TARNISHED. RIOTS ARE GRIST FOR THE MILL OF RADICAL ARAB CRITICS AND USSR. OPEN DOOR POLICY,  
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DESIGNED TO ATTRACT FOREIGN CAPITAL INVESTMENT, BUT NEVER VERY EFFECTIVE, HAS DOUBTLESS SUFFERED FURTHER SETBACK. MOREOVER, OBVIOUS INABILITY OF POLICE FORCES TO HANDLE WIDESPREAD AND COUNTRYWIDE RIOTING ON JANUARY 19, FORCED SADAT TO CALL IN ARMY AS LAST RESORT. HE IS THUS MORE BEHOLDEN TO MINWAR GAMASY THAN HE HAS EVER BEEN BEFORE. CONVERSELY, HIS RELIANCE UPON PRIMIN SALIM AND MININTERIOR SAYED FAHMY TO CONTROL ANY RIOTS HAS PERFORCE BEEN SHAKEN. IN CIRCUMSTANCES, GAMASY'S VOICE IN PRESIDENTIAL COUNCILS HAS DOUBTLESS BEEN ENHANCED. IT IS TOO SOON TO TELL WHETHER SADAT CAN MAKE EFFECTIVE COMEBACK IN TERMS OF REGAINING BROAD-BASED PUBLIC POPULARITY. MUCH WILL DEPEND UPON HIS ACKNOWLEDGED PEASANT CUNNING AND ABILITY TO MANEUVER. AT VERY LEAST, I WOULD EXPECT THAT HE HAS LOST CONSIDERABLE FLEXIBILITY AT HOME AND ABROAD. THIS COULD AFFECT ME PEACE PROCESS, ALTHOUGH I WOULD EXPECT THAT SADAT'S POSITION WOULD BE HELPED AT LEAST SOME IF PEACE PROCESS ONCE AGAIN GETS UNDERWAY.

3. RIOT DYNAMICS: DESPITE GOE'S EFFORTS PUBLICLY BLAME COMMUNISTS FOR RIOTS (SEE, FOR EXAMPLE, MINITERIOR'S ANNOUNCEMENT--CAIRO 1200), ALL THE EVIDENCE INDICATES THAT THE DEMONSTRATIONS WERE IN FIRST INSTANCE A SPONTANEOUS PUBLIC OUTCRY AGAINST ANNOUNCED PRICE INCREASES (CAIRO 1207). MINECON HAMED EL SAYEH STATES SOME ADVERSE PUBLIC REACTION WAS EXPECTED, BUT THAT GOE WAS TAKEN BY SURPRISE AT ITS INTENSITY. LONG DEBATED QUESTION OF HOW MUCH THE PROVERBIAL PATIENCE OF EGYPTIAN PUBLIC CAN BEAR ANY AMOUNT OF BURDENS HAS BEEN ANSWERED: THERE IS DEFINITELY A COMBUSTION POINT, WHICH PRICE INCREASES IGNITED. LOWER AND MIDDLE INCOME GROUPS WERE ALL ADVERSELY AFFECTED BY PROPOSED PRICE INCREASES AND AGNIRLY REACTED. WHAT WERE INITIALLY SPONTANEOUS DEMONSTRATIONS WERE SEIZED UPON BY THE LEFT, AND TO A LESSER EXTENT BY THE AASSERISTS, TO AGGRAVATE THE SITUATION. MANY CARIENES REMEMBER VIVIDLY JANUARY  
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1952 BURNING OF CAIRO, WHICH GOE HAS JUDGED WAS AGAIN THE OBJECTIVE OF ORGANIZED LEFT. WHAT WAS DIFFERENT ABOUT RECENT RIOTS

WAS THE FACT THAT THEY BROKE OUT NOT ONLY IN CAIRO AND ALEXANDRIA, WHERE SUCH PHENOMENA ARE NOT UNUSAL, BUT THROUGHOUT THE COUNTRY.

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S E C R E T SECTION 2 OF 3 CAIRO 1243

EXDIS

4. DISSIDENT ORGANIZATION: GOE CIVILIAN SECURITY

AGENCIES HAVE LONG PRIDED THEMSELVES ON PENETRATION OF VARIOUS DISSIDENT ELEMENTS, INCLUDING COVERT EGYPTIAN COMMUNIST PARTY, BUT GOE APPEARS TO HAVE UNDER-ESTIMATED ORGANIZATION AND CAPABILITY OF LEFTIST GROUPS. ALTHOUGH MININTERIOR'S PUBLIC STATEMENT ATTRIBUTING RIOTS TO ORGANIZED LEFTIST CONSPIRACY REFLECTS CUSTOMARY EFFORT BY GOE TO EXCULPATE ITSELF, THERE IS EVIDENCE OF CAREFUL LEFTIST ORGANIZATION--AT LEAST ON LOCAL AND SECTIONAL BASIS, IF NOT CITY-WIDE. DISSIDENTS CLEARLY HAD SOME KNOWLEDGE OF URBAN GUERRILA TECHNIQUES IN TERMS OF TARGETTING POLICE AND FIRE STATIONS. SADAT AND HIS MINISTERS WILL HAVE TO RE-ASSESS THE EXTENT AND NATURE OF THE DOMESTIC THREAT TO THE REGIME AND TAKE THIS INTO ACCOUNT IN THEIR FUTURE DOMESTIC AND FOREIGN POLICY ACTIONS.

5. HANDLING OF SITUATION: THERE ARE TWO CRITICISMS OF GOE'S HANDLING OF SITUATION: PRICE INCREASE ANNOUNCEMENT AND POLICE COMMITMENT.

(A) INSTEAD OF BALD ANNOUNCEMENT BY MINPLANNING EL IMAM, ACTING FOR KAISOUNI'S ECONOMIC GROUP IN ABSENCE MINSUPPLY (WHO WAS OUT OF THE COUNTRY), SOME ARGUE THAT ADVANCE POLITICAL ACTION SHOULD HAVE BEEN TAKEN TO CONDI-  
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TION EGYPTIAN PUBLIC TO THE NEED FOR SUCH PRICE RISES AND THAT THESE SHOULD HAVE BEEN ACCOMPANIED BY SOAK-THE-RICH MEASURES. OTHERS SUGGEST THAT PEOPLE'S ASSEMBLY SHOULD FIRST HAVE BEEN CONSULTED, OR THAT SADAT SHOULD PERSONALLY HAVE PRESENTED THE FACTS TO THE NATION. SOME OF THIS CRITICISM IS JUSTIFIED. PRIMIN SALIN MADE NO EFFORT ORGANIZE HIS ARAB SOCIALIST POLITICAL PARTY SO THAT IT COULD LOBBY FOR PRICE INCREASES. MINECON DEFENDS GOE POSITION ON GROUNDS THAT ANY ADVANCE CONSULTATION WITH PA WOULD HAVE INEVITABLY RESULTED IN LEAKS AND LARGE-SCALE PUBLIC PRE-EPTIVE BUYING AND HOARDING OF BASIC COMMODITIES. I AQUESTION WHETHER A PERSONAL APPEAL BY SADAT TO THE NATION TO ACCEPT THESE PRICE INCREASES WOULD MATERIALLY HAVE ALTERED THE SITUATION. ON THE CONTRARY, GIVEN CRITICISM OF THE PRESIDENT AND HIS FAMILY FOR LAVISH LIVING STYLE, IT WOULD MORE LIKELY HAVE FUELED PUBLIC DISCONTENT RATHER THAN ASSUAGED IT.

(B) SECOND CRITICISM IS LEVELED AT MININTERIOR'S COMMITMENT OF POLICE FORCES. ON FIRST DAY OF RIOTS, JANUARY 18, MININTERIOR SOUGHT TO KEEP POLICE OUT OF THE WAY IN ORDER TO AVOID A DIRECT CLASH WITH THE DEMONSTRATORS. THIS, IT IS ARGUED, ENCOURAGED RIOTERS AND

CAUSED SITUATION TO GET OUT OF HAND. WE HAVE RELIABLE REPORT THAT ON JANUARY 19 BOTH PRIMIN AND MININTERIOR VIRTUALLY PANICKED AS THEY RECEIVED STREAM OF REPORTS INDICATING RIOTS SPREADING THROUGHOUT COUNTRY, PARTICULARLY AGAINST POLICE STATIONS. MININTERIOR ARGUED THAT APPEARANCE OF MORE POLICE, ESPECIALLY SPECIAL RIOT POLICE, WOULD SIMPLY INFURIATE CROWD. NOR COULD HE BE CERTAIN OF LOYALTY OF POLICE, SINCE LATTER AMONG THE MORE POORLY PAID GOE EMPLOYEES AND THEREFORE EQUALLY CRITICAL OF PRICE RISES. INABILITY OF POLICE FORCES COPE WITH SITUATION FORCED PRIMIN TO RECOMMEND TO SADAT THAT ARMY BE CALLED IN AS ONLY WAY TO SAVE THE SITUATIOJ. ALTHOUGH GAMASY RESPONDED TO PRESIDENT'S APPEAL, HE APPARENTLY SECRET

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EXPRESSED MISGIVINGS ABOUT RELIABILITY OF ARMY IF LATTER REQUIRED TO FIRE ON EGYPTIAN PUBLIC. FORTUNATELY FOR SADAT, APPEARANCE OF ARMY SEEMS QUICKLY TO HAVE DAMPENED DISSIDENT ARDOR AND ISSUE OF ARMY LOYALTY IN FIRING UPON EGYPTIAN PUBLIC DID NOT HAVE TO BE PUT TO THE TEST. THIS IS FIRST TIME, INCIDENTALLY, THAT ARMY HAS HAD TO BE COMMITTED FOR RIOT CONTROL PURPOSES SINCE 1952 (1972 STUDENT OUTBREAKS WERE HANDLED BY CIVILIAN SECURITY FORCES). QUESTION WHICH SADAT MUST NOW FACE IS HOW AND WHEN TO GET THE ARMY OUT AND WHAT HAPPENS AFTER IT RETURNS TO BARRACKS.

6. EXTENT OF DAMAGE: ALTHOUGH EGYPTIANS ARE LIKENING THIS WEEK'S RIOTS TO THOSE O JANUARY 1952 IN CAIRO, EXTENT OF PHYSICAL DAMAGE IS FAR LESS. IN CAIRO SOME 35 REPORTEDLY LOST THEIR LIVES AND 126 WERE INURED. IN ALEXANDRIA 12 ILLED AND 350 HURT. MODEST NUMBER OF BUSES, RAILWAY CARS, AND POLICE JEEPS WERE DESTROYED, LARGE NUMBERS OF WINDOWS BROKEN THROUGHOUT CITY (INCLUDING ONE IN FONMIN FAHMY'S OUTER OFFICE); VARIOUS NIGHT CLUBS ON PYRAMID ROAD GUTTED AND LOOTED. OTHER ACTS OF VANDALISM ALSO TOOK PLACE. PRESS ESTIMATES PROPERTY LOSS AT LE 200 MILLION (ABOUT \$360 MILLION). IT MIGHT HAVE BEEN WORSE, BUT GOE SEEMS TO HAVE LUCKED OUT.

7. SCAPEGOATS: AS IS ALWAYS THE CASE IN SUCH INSTANCES, SCAPEGOATS ARE LIKELY TO BE SOUGHT. ALTHOUGH SADAT IS PERSONALLY WIDELY BLAMED BY LOWER CLASSES, IT IS CLEARLY DIFFICULT TO GET AT THE PRESIDENT. INSTEAD, RPIMIN SALIM, DEPUTY PRIMIN KAISOUNI, MINTERIOR SAYED FAHMY AND PA SPEAK SAID MAREI SEEM TO BE PRINCIPAL OBJECTS OF PUBLIC CENSURE.

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EXDIS

(A) IN NORMAL CIRCUMSTANCES, ONE WOULD EXPECT PRIMIN SALIM TO RESIGN, BUT SADAT CAN HARDLY DO WITHOUT HIM. DESPITE PROVEN UNRELIABILITY OF CIVILIAN SECURITY FORCES, SADAT CANNOT DISCARD THEM AND NO ONE BESIDES SALIM AND HIS LONG-TIME PROTEGE, SAYED FAHMY, HAVE ANY INFLUENCE WITH CIVILIAN SECURITY FORCES.

(B) KAISOUNI, WHO FROM ALL INDICATIONS, IS PLAYING A COURAGEOUS ROLE DESPITE HIS HEALTH, OFFERED RESIGN ON FIRST DAY OF RIOTS, BUT PRIMIN REJECTED OFFER. DESPITE REJECTION, IT IS DIFFICULT TO SEE HOW KAISOUNI CAN REMAIN IN CABINET FOR LONG AFTER RIOTS, PRIMI'S DECREE SUSPENDING PRICE RISES, AND MOST RECENTLY PEOPLE'S ASSEMBLY'S SYSTEMATIC ACTION IN DISMANTLING HIS AUSTERITY BUDGET AND ECONOMIC REFORM MEASURES. IF KAISOUNI LEAVES, HIS TWO PROTEGES, MINECON HAMED EL SAYED AND MINFIANCE HAMED ALSO LIKELY TO GO WITH HIM. CONCEIVABLY OTHER MEMBERS OF ECONOMOIC GROUP, MINPLANNING AL IMAM AND MINSUPPLY ZAKARIYA TAWFIQ, MAY ALSO HAVE TO LEAVE. FOR MOMENT, HOWEVER, THERE IS NO INDICATION ON PART OF ANY OF ECONOMIC GROUP THAT THEY EXPECT TO BE OUT OF THE CABINET SOON. WHILE GOE CANNOT AFFORD AT THIS CRITICAL JUNCTURE TO APPEAR TO BE SURRENDERING TO MOB RULE, THERE IS INDICATION THAT A CABINET RESHUFFLE, INVOLVING ECONOMIC PORTFOLOIOS, MAY BE IN OFFING BEFORE LONG.

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(C) MININTERIOR SAYED FAHMY MUST CLEARLY ASSUME RESPONSIBILITY FOR UNRELIABILITY CIVILIAN POLICE FORCES

AND PERHAPS FOR UNDERESTIMATING NATURE OF DISSIDENT THREAT. IT IS DIFFICULT TO SEE HOW HE CAN REMAIN IN OFFICE, ALTHOUGH PRIMIN WILL DOUBTLESS SEEK TO SAVE HIS LONG-TIME AND LOYAL PROTEGE.

(D) SAYED MAREI, IN HIS PA POSITION, IS LESS VULNERABLE.

8. EFFECT ON IMF PROPOSED ECONOMIC REFORMS: RIOTS HAVE CERTAINLY MADE IT MORE DIFFICULT FOR GOE TO ACCEPT FAR-REACHING IMF ECONOMIC RECOMMENDATIONS. FAHMY AND MINECON STILL STATE GOE SHOULD PROCEED WITH SUCH REFORMS, ALTHOUGH PERHAPS SPREADING PRICE INCREASES OVER A PERIOD OF TIME., IMF REP GUNTER IS HERE, BUT WE UNDERSTAND HAS BEEN TOLD BY KAISOUNI THAT FURTHER TALKS ON RECOMMENDATIONS SHOULD BE DEFERRED FOR SEVERAL DAYS PENDING CLARIFICATION OF LOCAL SECURITY SITUATION. PRIMIN SEEMS TO HAVE VACILLATED. WHILE INITIALLY ACCEPTING NEED FOR ECONOMIC REFORMS, INCLUDING PRICE RISES, RESULTANT RIOTS SEEM TO HAVE SCARED HIM--AT LEAST FOR TIME BEING. HE WILL DOUBTLESS BE GUIDED BY SADAT'S WISHES. THE PRESIDENT, WHILE BACK IN CAIRO, HAS BEEN PUZZLINGLY SILENT. HOWEVER, HE TOO WILL HAVE HIS EAR TO THE GROUND TO ASSESS PUBLIC REACTION. MEANWHILE, PEOPLE'S ASSEMBLY PLANNING AND BUDGET COMMITTEE HAS ANNOUNCED CANCELLATION OF PRICE INCREASES, WHICH IS HARDLY ITS CONSTITUTIONAL PREROGATIVE. COMMITTEE IS DOUBTLESS RECOMMENDING THIS TO PEOPLE'S ASSEMBLY. SUCH ACTION BY FULL PEOPLE'S ASSEMBLY, WHICH IS PROBABLE IN NEXT DAY OR TWO, RAISES SERIOUS DOUBTS THAT GOE CAN AT THIS TIME PROCEED WITH REDUCTION OF SUBSIDIES. SOME COSMETIC EFFORTS WILL PROBABLY BE MADE TO GO ALONG WITH CERTAIN IMF RECOMMENDATIONS, ESPECIALLY THOSE INVOLVING HIGHER IMPORT DUTIES, LUXURY TAXES AND OTHER MEASURES  
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WHICH AFFECT DOMESTIC RICH (SEE ALSO CAIRO 1236).

9. GOE EXPECTATIONS: RIOTS HAVE AGAIN RAISED ISSUE ON PART GOE AND UPPER CLASS EGYPTIAN PUBLIC THAT WEALTHY ARAB STATES ARE NOT DOING THEIR DUTY TO PROVIDE NEEDED ECONOMIC SUPPORT FOR EGYPT, WHICH HAS MADE PRINCIPAL SACRIFICES FOR ARAB CAUSE. GOE MAY NOW BE EXPECTED TO LOOK TO ARAB AND FRIENDLY WESTERN DONORS FOR SUPPORT. RIOTS, IT WILL ARGUE, HAVE PROVEN THAT PRICE RISES ARE UNACCEPTABLE TO EGYPTIAN PUBLIC AND THAT THOSE STATES PROFESSING GENUINE INTEREST IN CONTINUED POLITICAL STABILITY IN EGYPT MUST PROVIDE NEEDED ASSISTANCE TO BAIL OUT EGYPTIAN ECONOMY. WEALTHY ARAB STATES IN PARTICULAR WILL BE HIT FOR MORE GENEROUS ASSISTANCE. KING HALID HAS ALREADY TELEGRAPHED SADAT

EXPRESSING READINESS USE "ALL HIS RESOURCES" TO ASSIST THE PRESIDENT. ALTHOUGH GOE SIMPLY SENT BACK A PRO FORMA THANK YOU, IT PLANS TO DUN IN THE NEAR FUTURE THE SAUDI AND GULF STATES FOR MORE MONEY. IT WILL ARGUE IN EFFECT THAT COLLAPSE OF MODERATE SADAT REGIME, SHOULD THIS HAPPEN, WILL INEVITABLY ALSO THREATEN SAUDI ARABIA AND GULF SHEIKDOMS; HENCE, IT IS IN THEIR INTERESTS TO PROVIDE THE NECESSARY WHEREWITHAL TO PREVENT THIS FROM HAPPENING. RIOTS WILL THUS BE USED TO GOE'S ADVANTAGE TO MAXIMUM EXTENT POSSIBLE.

10. THUS, GOE IS CURRENTLY IN A STATE OF FLUX. ON ONE HAND, IT IS DOING UTMOST TO CALM DOMESTIC UNREST; ON OTHER, IT IS CONSIDERING HOW TO USE RIOTS TO AVOID UNPOPULAR IMF RECOMMENDATIONS ON GROUNDS DEMONSTRABLY ADVSER PUBLIC REACTION AND AT SAME TIME PRESSURING WEALTHY ARAB STATES THAT THEY MUST CONTRIBUTE MORE IF EGYPTIAN POLITICAL STABILITY IS TO BE MAINTANED. MEXT FEW DAYS AND WEEKS WILL TELL WHETHER GOE (READ SADAT) HAS ABILITY REDRESS SERIOUS SETBACK IT HAS RECEIVED AT HOME AND YET OBTAIN NEEDED DONOR ASSSTANCE, SECRET

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ESPECIALLY FROM ARAB STATES.  
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## Message Attributes

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